

# **City of New Orleans**

## **Financing Options for Street Repair**

**Presentation to the Fix My Streets Financing Working Group**  
**November 29, 2016**



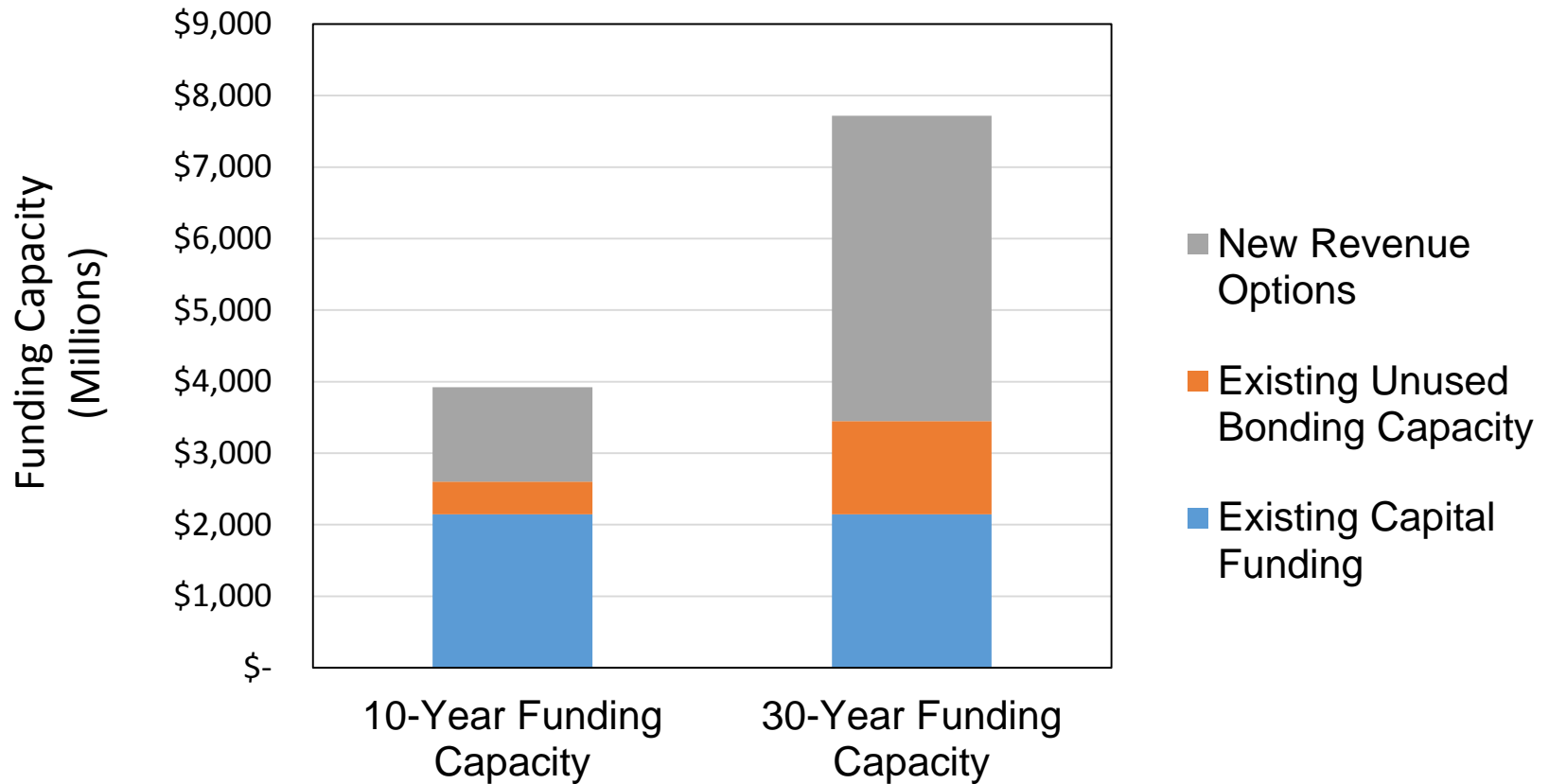
The Caulfield Consulting Group

# Overview of Options

- PFM with support from The Caulfield Consulting Group has identified 10 options for consideration by the Fix My Streets Financing Working Group
- These options would produce an estimated total of \$3.9 billion in new infrastructure funding capacity during the 10-year period between FY 2017 and FY 2026
- These options would produce an estimated total of \$7.7 billion in new infrastructure funding capacity during the 30-year period between FY 2017 and FY 2046
- Additional options for generating funding for infrastructure investment
- Options include additional revenue available for pay-as-you-go/bonding capacity and new sources of financing

# Funding for Street Repair

## 10-Year and 30-Year Funding Capacity



# The Funding Challenge

- 10-Year Plan
  - 65.3% of streets are in poor or worse condition
  - Projected cost of \$3.2 billion or \$320 million per year
- 30-Year Plan
  - Anticipates complete replacement of street infrastructure
  - City projects cost of \$9.3 billion or \$310 million per year
- Other mid-size city investments in capital infrastructure

City	Population	Square Miles	Average Total Annual CIP
Minneapolis	410,939	53.97	\$181.4 million
Tulsa	403,505	196.75	\$90 million
Wichita	389,965	159.29	\$182 million

# Existing Capital Funding

Category	Funding Source	10-Year Funding Capacity (millions)	30-Year Funding Capacity (millions)
Existing Capital Funding	FEMA Public Assistance (DPW)	\$1,399.0	\$1,399.0
	FEMA HMGP (DPW)	\$96.0	\$96.0
	HUD NDRC Grant (DPW)	\$57.0	\$57.0
	FEMA Public Assistance (SWB)	\$241.0	\$241.0
	Municipal Bonds (2004-05, 2016 and 2018)	\$222.0	\$222.0
	FHWA/DOTD Funds (DPW)	\$90.0	\$90.0
	DPW Other Capital (SRIA, CDBG, and D-CDBG)	\$40.0	\$40.0
	TOTAL	\$2,145	\$2,145

# Excess Bonding Capacity

Category	Funding Source	10-Year Funding Capacity (millions)	30-Year Funding Capacity (millions)
Existing Pay-as-You-Go (10-Year) Unused Bonding Capacity (30-Year)	Issue Additional Bonds Secured by 25.50 mills General Obligation Tax	\$178.1	\$645.6
	Issue Additional Bonds Secured by Water Revenues	\$45.5	\$133.3
	Issue Additional Bonds Secured by Sewerage Service Revenues	\$233.2	\$525.5
	TOTAL	\$456.8	\$1,304.4

# Excess Bonding Capacity Options

- 25.50 Mills General Obligation Debt (\$178.1 million in pay-as-you-go funding for 10 years or \$645.6 million in 30-year debt capacity)
  - The City and the Board of Liquidation, City Debt (BOLCD) are authorized to issue general obligation (GO) bonds and set the rates; the rate has been 25.50 mills since 2010
- Issue Additional Bonds Secured by Water Revenue (\$45.5 million in pay-as-you-go funding for 10 years or \$133.3 million in 30-year debt capacity)
  - The Sewerage and Water Board has received authorization to increase user charges through 2020, which are funding investment in the water system; projected revenues will exceed debt service

# Excess Bonding Capacity Options

- Issue Additional Bonds Secured by Sewerage Service Revenues (\$233.2 million in pay-as-you-go funding for 10 years or \$525.5 million in 30-year debt capacity)
  - User charges are being increased through 2020; the revenues are being used, in part, to secure bonds to fund infrastructure improvements; projected revenues will exceed debt service



# New Revenue Options

Category	Funding Source	10-Year Funding Capacity (millions)	30-Year Funding Capacity (millions)
Options for New Revenue Sources	Seek Legislative Authorization to Retain Temporary 1% Sales Tax at Local Level	\$600.0	\$2,100.0
	Seek Legislative Authorization to Introduce 10 Cents per Gallon Local Gas Tax	\$246.0	\$738.0
	Seek Legislative Authorization to Increase Effective Parking Tax Rate to 20%	\$112.0	\$336.0
	Seek City Council Authorization to Increase Motor Vehicle Tax Rate to 7%	\$102.0	\$306.0
	Legislatively Reallocate Existing Tax Dedications to Street-Repairs	\$178.0	\$534.0
	Introduce Paving Liens	\$50.0	\$150.0
	PILOT Payments	\$34.4	\$103.2
	TOTAL	\$1,322.4	\$4,267.2

# New Revenue Options

- Seek Legislative Authorization to Retain Temporary One Percent Sales Tax at Local Level (\$600 million between FY 2019 and FY 2026 and \$2.1 billion between FY 2019 and 2046)
  - The State's temporary one percent sales tax is set to expire in 2018; if it is not renewed, the City could seek to retain it locally; the action would require a vote of the State legislature
- Seek Legislative Authorization to Introduce 10 Cents per Gallon Local Gas Tax (\$246 million over 10 years and \$738 million over 30 years)
  - There are currently 10 states that have municipalities with a local gas tax; State legislation and a public vote would be needed to allow the City to establish and set a tax rate locally

# New Revenue Options

- Seek Legislative Authorization to Increase Effective Parking Tax Rate to 20% (\$112 million over 10 years and \$336 million over 30 years)
  - New Orleans' effective tax rate (3% parking tax + 10% sales tax) is lower than many other cities that levy a tax on parking; an increase in the tax rate would require State legislation and a new City ordinance
  - Pittsburgh (37.5%), San Francisco (25%), Philadelphia (22.5%), Chicago (22%) all would still have higher rates than New Orleans
- Seek City Council Authorization to Increase City Motor Vehicle Tax Rate to 7% (\$102 million over 10 years and \$306 million over 30 years)
  - Among the 10 most populous cities in Louisiana, 3 cities have a higher effective tax rate on motor vehicles than New Orleans: Monroe, Lake Charles and Alexandria (effective rate = 5% local sales tax + 5% State sales tax); a change would require approval by the City Council and by the voters

# New Revenue Options

- Legislatively Reallocate Existing Tax Dedications to Street Repairs (\$178 million over 10 years and \$534 million over 30 years)
  - BGR highlighted as options to include in review of potential additional revenue
  - The Ernest N. Morial Convention Center and Orleans Parish Assessor's Office had fund balances of \$250 million (as of 2016) and \$7.7 million (as of 2015) respectively, generated by dedicated taxes; rededicating the funds would require a vote by the State legislature
- Introduce Paving Liens (\$50 million over 10 years and \$150 million over 30 years)
  - The City is currently authorized by State law to make use of paving liens to fund infrastructure improvements

# New Revenue Options

- Establish Payment in Lieu of Taxes (PILOT) Agreements for Non-Profit Organization Property Owners (\$34.4 million over 10 years and \$103.2 million over 30 years)
  - According to a Bureau of Governmental Research (BGR) study, in 2011, a total of \$384 million in property belonging to non-profit organizations was exempted from taxes
  - Other cities (e.g., Boston) have been successful in negotiating voluntary PILOTs with non-profit property owners

# Additional Options for Consideration

- Impact Fees and Density Bonuses
- Special Maintenance Districts
- State Road Transfer Program
- State and Federal Funding
- Tolls and Congestion Pricing (“Road Pricing”)
- Extension of Drainage Tax Millage

# Discussion